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BEFORE THE
INTERSTATE COMMERCE COMMISSION.

STATEMENTS ON BEHALF OF THE CARRIERS
IN THE EASTERN DISTRICT
APRIL 24th AND 26th, 1920.

IN THE MATTER OF INCREASES IN REVENUES IN OFFICIAL CLASSIFICATION TERRITORY.

PRESENTED BY

DANIEL WILLARD, Chairman,
SUB-COMMITTEE OF GENERAL COMMITTEE,
OFFICIAL CLASSIFICATION TERRITORY.

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STATEMENT OF CARRIERS IN THE EASTERN DISTRICT.

To the Honorable, the Interstate Commerce Commission:

The names of the carriers represented in this presentation and the mileage of each are shown in the list made part of Exhibit II, and comprising generally the so-called "Eastern District."

A statement is attached (marked A) giving the operating revenues, expenses, net revenues and net railway operating income of these carriers for the years 1916 to 1919, inclusive, as audited, and also for the year 1919 so adjusted as to reflect more nearly the present conditions—and shows as follows:

Calendar Year.	Net Revenues.	Operating Ratio.	Net Railway Operating Income.	Decrease Compared with 1916.
1916	$570,377,155	67.41	$464,434,104	....
1917	497,477,306	74.21	368,231,549	*D.* 20.71
1918	365,341,843	84.71	251,215,146	*D.* 45.91
1919	297,706,179	87.87	182,238,706	*D.* 60.76
(As adjusted) 1919	207,518,156	91.58	42,409,693	*D.* 90.87

Taking 1916, which is selected because it is the last full year preceding the radical changes that have since occurred in both revenues and expenses, and comparing it with the year 1919, as audited, there is noted a change in the ratio of expenses to earnings from 67.41 in 1916 to 87.87 in 1919, and this notwithstanding the freight ton miles handled decreased but 5.77%, while freight train miles actually decreased 18.72%, due to an increase in tons per train mile from 699 to 810. During the same period there was an increase in passengers carried one mile of 30.27% with a decrease in passenger train miles of 12.75%. Ordinarily a condition such as indicated by these figures would have resulted in a substantially lower operating ratio, with a corresponding increase in net revenue.

This comparison clearly demonstrates that the increase in the basis of operating expenses has far exceeded the increase in the

basis of operating revenues. The extent to which the increases in operating expenses have outstript the increases in rates may be more definitely shown by applying to the business of 1916 the increased rates and charges and the increased bases of expense which actually obtained in March, 1920.

Careful estimates, based on the experience of the Pennsylvania, New York Central and Baltimore and Ohio Railroads, have been made, and the percentages of increased cost and rates so ascertained, have been applied to the aggregate business handled in 1916 by the 38 Eastern Systems, petitioners in the Fifteen Per Cent. Case. Statement (marked B), attached, shows in detail the combined Income Account so adjusted, and the effect of increased rates and increased expenses as of March, 1920, applied to the business of the year 1916, which may be summarized as follows:

Effect of
Increased Rates and Increased Basis of Expenses as of March, 1920, Applied to the Total Business of the 38 Eastern Systems During the Year 1916

INCREASE IN REVENUES DERIVED FROM:		
I. C. C. Authority—15% Case, etc.	$158,462,984	
U. S. Railroad Administration—Freight Increase 25%	337,007,051	
U. S. Railroad Administration—Passenger Increase 26.98%	86,803,036	
I. C. C. Authority—Mail Increase 55%	12,554,149	
I. C. C. Authority—Express Increase 10%	4,311,649	
Miscellaneous Increase—Estimated	9,648,011	
Total Increased Revenues as above	$608,786,880	or 36.37%
INCREASE IN EXPENSES, TAXES AND RENTS:		
Rates of Pay (per hour) 102.33%	$692,786,352	
Fuel 154.78%	175,121,726	
Materials 74%	156,103,050	
Miscellaneous (Claims, Freight Car Repairs, and Joint Facility Operations, etc., est.)	125,576,367	
Taxes	49,318,862	
Hire of Equipment and Joint Facility Rents	16,282,389	
Total Increase in Basis of Expenses	$1,215,188,746	or 99.10%
Net Increase of Costs over Increase of Revenues	$606,401,866	

Note—This computation does not reflect the full weight of increased basis of costs as it makes no provision for increases due to changes in working conditions.

It will be noted that while the expense basis since 1916 has been increased 99.10%, the revenue basis during the same period has been increased but 36.37%.

As a result the ratio of operating expenses to operating revenues, which in 1916 was 67.32%, becomes 99.73% when revenues and expenses are restated on existing cost and revenue basis. A comparison of these results with the actual results for 1919, as audited, indicates that the increase in passenger earnings and economies in operation incident to increased train load, direction of traffic, etc., made possible largely by unusual conditions resulting from the war, including the demobilization of the military forces, enabled the Railroad Administration to offset, to a substantial degree, the increased basis of expense shown above, resulting in an operating ratio of 87.87% for the year 1919, as audited. Increased passenger business handled with less train mileage might account for one-half of this reduction. However, the results of 1919 operations are of little value as a basis for future calculations, unless consideration be given to the circumstances under which the traffic (much of it incident to the demobilization of the army) was actually handled, and further, unless the audited figures be so adjusted as to fairly reflect the elements of increased revenue and increased expense which it is now known will be effective in the future.

It has been suggested that the year ended December 31, 1919, was not typical because of the reduced traffic in the first quarter, and because of the effect of the strikes in the steel and coal industries in the last quarter. While freight traffic did fall off considerably after the Armistice in November, 1918, and recovered rather slowly, yet there was a constant and steady increase of such traffic from January on, reaching a maximum in October, the period from May to October being unusually high. The winter months, January, February and March, 1919, were also exceptionally mild and open.

During the steel strike, shipments of steel products were largely maintained from the accumulation of stock. The coal strike was of short duration and did not, upon the whole, seriously affect the earnings of the Eastern carriers. Moreover, the largely increased passenger traffic during the demobilization period, with a decreased train mileage, contributed an unusual measure of net earnings, possibly more than offsetting any adverse effect of fluctuations in freight traffic. The fact is that fluctuations in traffic are the rule and not the exception. A year during which traffic remained steadily at the maximum would not be typical.

However, because of the possible effect of the steel and coal strikes, these carriers have compiled figures for the twelve months ended October 31, 1919, based on a questionnaire submitted with detailed instructions to each carrier. The questionnaire and instructions as well as all data upon which the compilation is based, are available. The figures both for the calendar year 1919, and for the constructive year ended October 31, 1919, have been adjusted and restated so as to illustrate as nearly as possible the results that might be expected were the business of the calendar year, or of the twelve months to October 31, 1919, to be done over again under the conditions affecting revenues and expenses which now exist, or will exist in the immediate future. The adjusted figures for the calendar year 1919 are shown on statement (marked A) attached; and the similar figures for the constructive year (October 31, 1919) are shown on statement (marked C) attached.

Taking the adjusted figures for the year ended December 31, 1919, the results shown indicate that under the changed conditions the operating ratio resulting from the identical business would be 91.58%. To reduce this to a 75% ratio, with the same volume of business, would require an addition to revenues of some $544,000,000.

The average ratio of operating expenses to operating revenues of these carriers for the nine years previous to and including 1916, was 70.4%, and it would seem that rates ought now to be so adjusted that the same standard of operating efficiency that obtained during that period would now produce approximately the same operating ratio. It is also noted that the operating ratio during the three year test period averaged 69.5%.

However, to overcome measurably the difference between the increased basis of earnings and the increased basis of costs, and also to adjust the return upon property investment, which in the "test period" was 5.32%, to a basis of 6% would require for the Class I roads herein referred to, based upon the figures of the year ended December 31, 1919, adjusted, additional revenues equal to about $494,000,000. If revenues were so increased, the net return would be about $139,000,000 greater than the average for the three years of the test period. Since June 30, 1917, the property investment of these carriers has been increased by more

than $1,076,000,000. The annual carrying cost of this investment averages at least 6% or $64,000,000 in round figures, and there would be left about $75,000,000 to aid in the re-establishment of credit, as a basis for future financing, and for improvements largely unproductive, and for possible contribution to reserve funds.

The average net railway operating income of the "test period" was adopted by the Congress not as a measure of profits to the carriers while conducting operations at their own risk and bearing the burden of the financing necessary to provide inprovements and extensions of facilities, but rather as the measure of a guaranteed rental to be paid by the Government during a period when the Government itself was to assume the risks of operating results and was to provide the new capital necessary for additions, betterments and equipment.

The carriers must now reassume the burdens and risks of operation in a period of uncertain conditions affecting business generally. The demands for additional facilities and extensions were never more pressing than now. The cost of new capital is more than 7% per annum even to those railroad companies whose credit is of the best.

The Government Victory Loan Bonds are currently selling on a basis of return in excess of 6%. New industrial issues, with which railroad financing must compete, are offering returns from 7½% to 8% in addition to liberal commissions for their sale and distribution, and underlying bonds of substantial railroads may be bought on a basis to yield 7% and in some instances in excess of 8%. Further, the European markets, heretofore available for American railroad issues, are now closed and are in fact absorbing our surplus funds, and this applies not only to Europe but to practically the whole world, including Japan and the East.

In 1920 and 1921, from $200,000,000 to $250,000,000 per annum of maturing obligations of these carriers, now bearing low rates of interest (some as low as 3½%), must be taken care of, and in such refinancing the railroads must secure funds on the basis of the current cost of capital. Little can be hoped for in the immediate future in the way of lower operating costs. There is nothing in the existing situation to justify the expectation that either wages or material prices will soon be lower, while the public

expects, and justly so, a constantly higher standard of service. The carriers will undoubtedly endeavor to increase their operating efficiency, and substantial results may be expected in that direction, but increased efficiency is largly dependent upon increased capital expenditures for improved facilities.

Clearly, unless increased revenues on a liberal basis are measurably assured, these carriers will not be able to meet their maturing obligations or secure additional capital on a basis such as the public interest demands, nor will they be able to render the transportation service necessary for the growing commerce of this country.

The preceding facts and figures indicate strongly that the railroads as a whole in the Eastern District will require as a minimum, an increase in revenue, to be derived from increased rates and charges, of approximately $550,000,000 per annum, in order that they may be able to furnish adequate service for the public. The additional amount necessary could be obtained by an increase of about 22% if applied to all business, or about 30% if applied to the freight traffic only.

TRANSPORTATION ACT, 1920.

Thus far this statement has sought to throw light on the measure of relief needed, without reference to the return on property value. Section 15a of the Interstate Commerce Act as amended by the Transportation Act, 1920, provides as follows:

> "In the exercise of its power to prescribe just and reasonable rates the Commission shall initiate, modify, establish or adjust such rates so that carriers as a whole (or as a whole in each of such rate groups or territories as the Commission may from time to time designate) will, under honest, efficient and economical management and reasonable expenditures for maintenance of way, structures and equipment, earn an aggregate annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value of the railway property of such carriers held for and used in the service of transportation: *Provided,* That the Commission shall have reasonable latitude to modify or adjust any particular rate which it may find to be unjust or unreasonable, and to prescribe different rates for different sections of the country.
>
> "The Commission shall from time to time determine and make public what percentage of such aggregate property

value constitutes a fair return thereon, and such percentage shall be uniform for all rate groups or territories which may be designated by the Commission. In making such determination it shall give due consideration, among other things, to the transportation needs of the country and the necessity (under honest, efficient and economical management of existing transportation facilities) of enlarging such facilities in order to provide the people of the United States with adequate transportation: *Provided*, That during the two years beginning March 1, 1920, the Commission shall take as such fair return a sum equal to 5½ per centum of such aggregate value, but may, in its discretion, add thereto a sum not exceeding one-half of one per centum of such aggregate value to make provision in whole or in part for improvements, betterments or equipment, which, according to the accounting system prescribed by the Commission, are chargeable to capital account."

Statement (marked D) attached, shows the estimated net operating income of all the carriers in the Eastern District in relation to property investment (based on the questionnaire data for year ended October 31, 1919) segregated as to Class I, II and III roads, and Switching and Terminal Companies, which for 144 roads represented, may be summarized as follows:

EASTERN DISTRICT.

Railways of Class I, II and III Roads and Switching and Terminal Companies Year ended October 31, 1919.

Property Investment		$9,368,698,698
Six Per Cent. on Property Investment		$562,121,921
Net Railway Operating Income year ended October 31, 1919—adjusted		18,008,219
Difference between adjusted net Operating Income and 6% on Property Investment		$544,113,702
Total of all revenues	$2,570,967,815	
Per cent. on total revenues required to meet deficit under 6%		21.16%
Total freight revenue	$1,788,033,734	
Per cent. on freight revenue required to meet deficit under 6%		30.43%

Note—The foregoing computations make no provision or allowance for the following:

(**a**) Wage demands which may result in increases in addition to those already effective.

(**b**) Possible adjustment in contractual relations with the Pullman, Express and other companies.

(**c**) Claims of short lines and industrial railroads not represented in foregoing figures for increased divisions and allowances.

(**d**) Possible under-maintenance which may have occasioned an understatement of expenses for the year 1919.

The estimated aggregate annual net railway operating income is related to the aggregate property investment account in the belief that as an aggregate amount this account is not excessive but more probably the minimum as representing true value, and further because it is the only estimate of aggregate value practically available at this time, just as it was the only estimate of value available to Congress when it prescribed the percentage on aggregate value that should be taken as a fair return for the two years beginning March 1, 1920. The Commission will, of course, make use of any other data it may find available.

Assuming as we may and must that the Congress clearly intended to lay down in the Transportation Act of 1920 a definite policy for the guidance of the Commission, the guiding policy so prescribed will undoubtedly control the Commission's acts and decisions in the administration of all the provisions of the Act, which include, viz.: "due consideration, among other things, to the transportation needs of the country and the necessity of enlarging such facilities in order to provide the people of the United States with adequate transportation."

CONCLUSION.

(1) Under the provisions of the Transportation Act of 1920, the duty has been imposed upon the Commission of fixing rates and charges so as to yield as nearly as may be, a fixed percentage return upon the aggregate value of the transportation properties devoted to the public use.

(2) The information necessary to enable the Commission to determine final aggregate value cannot be obtained within any reasonable time.

(3) Elements and conditions affecting railroad operations, and business generally, have changed and are still changing so rapidly as to make the results of 1919 alone—even as adjusted—unreliable as a basis upon which to forecast the future.

(4) Under these conditions it cannot be estimated (much less determined) with anything like accuracy, what net railway operating income will be obtained during 1920 and 1921 from any given percentage increase in rates made at this time.

(5) However, a failure to provide, so far as possible, net railway operating income sufficient to enable the carriers to re-establish their credit, would defeat the clear intent of the Act because the carriers under such conditions would not be able to "provide the people of the United States with adequate transportation," and such a course would bring serious consequences to the whole public—including shippers and carriers alike.

(6) It is submitted, therefore, that under the conditions above outlined the only secure course is for the Commission to use all information available, and to resolve all reasonable doubts in favor of the higher rates and charges shown to be necessary, for on that side lies safety.

Daniel Willard

Chairman, Sub-Committee of General Committee,
Official Classification Territory.

BEFORE THE

INTERSTATE COMMERCE COMMISSION.

APRIL 26, 1920.

IN THE MATTER OF INCREASES IN REVENUES IN OFFICIAL CLASSIFICATION TERRITORY.

THE STEAM RAILROAD CARRIERS IN OFFICIAL CLASSIFICATION TERRITORY RESPECTFULLY SUBMIT TO THIS COMMISSION THE FOLLOWING STATEMENT AS TO THEIR FINANCIAL CONDITION, NEED OF ADDITIONAL NET RAILWAY OPERATING INCOME, AND THE MANNER IN WHICH IT SHOULD BE SECURED.

1. Section 15a of the Interstate Commerce Act provides that:

> "In the exercise of its power to prescribe just and reasonable rates the Commission shall initiate, modify, establish or adjust such rates so that carriers as a whole (or as a whole in each of such rate groups or territories as the Commission may from time to time designate) will, under honest, efficient and economical management and reasonable expenditures for maintenance of way, structures and equipment, earn an aggregate annual net railway operating income equal as nearly as may be, to a fair return upon the aggregate value of the railway property of such carriers held for and used in the service of transportation."

and further provides that:

> "The Commission shall from time to time determine and make public what percentage of such aggregate property value constitutes a fair return thereon, and such percentage shall be uniform for all rate groups or territories which may be designated by the Commission. In making such determination it shall give due consideration, among other things, to the transportation needs of the country and the necessity (under honest, efficient and economical management of existing transportation facilities) of enlarging such facilities in order to provide the people of the United States with adequate transportation."

2. The territory commonly known as Official Classification Territory has been since 1887 a well defined rate territory, substantially differentiated from other rate territories in the United States by differences in industrial, commercial and transportation conditions. Within this territory there are a large number of railways and railway systems whose lines are confined thereto. There is very little overlapping in this territory of lines of railway more largely identified with other rate territories. It has been recognized by this Commission in many cases as a separate territory within which rates may be and have been adjusted with relation to each other. Its limits for the purposes of this proceeding may be established as follows: The Atlantic Seaboard from the Canadian Border to Norfolk, Virginia, the main line of the Norfolk & Western Railway from Norfolk, Va., to Kenova, West Virginia, the main line of the Chesapeake & Ohio Railway from Kenova, W. Va., to Cincinnati, Ohio, the Ohio River to Cairo, Illinois, the Mississippi River to the mouth of the Illinois River, at or near Grafton, Ill., the Illinois River from Grafton, Ill., to Pekin, Ill., a line south and east of the Atchison, Topeka & Santa Fe Railway from Pekin, Ill., through Joliet and Streator, Ill., to Chicago, Ill., a line drawn from Chicago, Ill., to include the southern peninsula of Michigan, and thence following the international boundary to the Atlantic Seaboard.

3. At the present time many of the carriers are barely earning operating expenses and some of them are earning less than operating expenses. Under present conditions nearly all these carriers are guaranteed the standard return by the Government, and the Government is therefore sustaining heavy losses as a result of the operation of these properties under present rates. After September 1, 1920, when the Government's guaranty expires, the carriers, unless immediate relief by an increase in revenue through increases in rates be granted, will be unable to earn any susbtantial return upon the value of their properties. It is therefore imperatively necessary in the public interest, as well as in the interest of the carriers, that increases in rates be made effective at the earliest practicable date.

4. The aggregate value of the property of the carriers in Official Classification Territory cannot at the present time be finally

ascertained. The property investment account of the carriers and their leased lines, including materials and supplies, amounted on December 31, 1919, to $9,368,698.698. The carriers believe and therefore state that this property investment in the aggregate is substantially less than the aggregate value of the property held for and used by them in the service of transportation.

5. The cost of capital at the present time to railroad companies of the best credit, offering the best available security, is about 7½%. Section 15a of the Interstate Commerce Act provides for a return to the carriers as a group or in such groups as may be established of 6%, as a maximum for the period of two years beginning March 1, 1920. It is submitted that this Commission should, in the present emergency, adopt the maximum so prescribed in order to aid the carriers as far as possible in strengthening their credit and securing additional capital. Six per cent. on the property investment, including materials and supplies, of the carriers, or approximately $562,121,921, represents substantially less than the minimum net operating income which the carriers should earn in the public interest and as a fair return on their property held for and used in the service of transportation. This amount of net railway operating income is substantially less than the amount required to meet existing capital charges, provide for additions and betterments properly chargeable to income, and afford a basis of credit on which new capital may be attracted to the transportation business. Such rates of transportation should be established as will permit the carriers as a group to earn not less than the amount of net operating income above stated.

6. The carriers have made estimates of the amount of necessary increases in revenue through increases in rates. For this purpose they have taken the operating expenses and operating revenues of the properties of the carriers by the United States Railroad Administration for the year ended October 31, 1919, the latest available period, have allowed proper credit to the revenues of that year on account of the retroactive application of the decision of this Commission in the Railway Mail Pay Case, Docket 9200, and proper adjustments in expenses due to the fact that certain expenses effective October 31, 1919, were not, in all cases, effective throughout the entire year. On the basis of these adjustments the

carriers have found, assuming they were to operate their properties for a year with the same adjusted gross revenues and adjusted expenses and including certain additional known expenses, such as increases in the price of fuel and the re-establishment of per diem, it would be necessary for them to secure an increase of 21.16% in all their revenues, or an increase of 30.43% in their freight revenues, interstate and intrastate, in order to earn an amount of net operating income equal to 6% on the property investment of the carriers, including materials and supplies.

7. It is the judgment of the carriers that the increases in revenue necessary to meet present known expenses and provide a fair return should be secured from freight traffic. Because of the complexities of ordinary freight tariff publication, such increases in rates can, generally speaking, be made within a short time only by the application of a percentage method of increase in rates. The carriers therefore propose that they be permitted to file supplements proposing percentage increases. If this is permitted, the carriers will undertake with the utmost expedition to substitute for these percentage supplements tariffs in the ordinary form preserving differentials in the usual manner.

On grain and grain products from points in Central territory to points in Trunk Line, New England and Virginia territory, the tariff is comparatively simple and it would be practicable to publish a specific tariff on this traffic in lieu of a percentage supplement. This, it is believed, would be in the public interest.

In proposing advances on bituminous coal, other than lake cargo and tidewater coal, the carriers propose a slight modification of the strict percentage basis for the purpose of preserving differentials from groups of origin. This method would involve taking certain basing groups of origin, advancing the rates from these groups the same percentage as all other freight traffic and applying the amount of the increase thus ascertained in cents per ton as a specific increase from each related group to the same point of destination. In dealing with lake cargo and tidewater coal, the same percentage is proposed and the same method suggested with certain necessary adjustments to preserve differentials.

In advancing rates on coke from the Connellsville region and related districts, the same method is suggested, using the Connellsville rates as the basis for advancing rates both eastbound and westbound.

8. In order to expedite this investigation and to arrive at a prompt decision, it is suggested that there should be cooperation between this Commission and the various State Commissions as to the matter of rates necessary to produce the revenue mentioned herein.

In conclusion, without prejudice to the right of any of them in due course to ask for special consideration of rates, or divisions thereof, either generally or on particular traffic, the carriers respectfully propose that this Commission designate Official Classification Territory as a rate territory, and establish or authorize such freight rates, not less than 30% in excess of existing rates, as may be found to be necessary in order to assure to the carriers a return of at least 6%, upon the aggregate value of their property as provided in Section 15a (3) of the Interstate Commerce Act, and that such advance be permitted to be made by brief supplements to existing tariffs and to be made effective as soon as practicable.

Respectfully submitted,

Daniel Willard

Chairman, Sub-Committee of General Committee,
Official Classification Territory.

OPERATING REVENUES, EXPENSES AND NET OPERATING INCOME

CLASS I ROADS - EASTERN DISTRICT

(Including C.& O., N.& W., Virginian, R.F.& P., and Wash.So.)

Item	Test period average	Year ended December 31, 1916	1917	1918	1919	1919 Adjusted to present bases of rates and costs
Mileage Operated	65,132.12	64,706.07	64,677.98	65,305.08	65,034.30	
RAILWAY OPERATING REVENUES:						
Freight	$1,156,191,400	$1,255,251,661	$1,362,078,371	$1,699,688,564	$1,691,719,340	$1,691,719,340
Passenger	318,302,966	332,921,803	377,376,028	477,794,668	543,896,640	543,896,640
Mail	23,430,102	23,957,159	24,378,070	21,719,826	25,752,793	34,101,593
Express	40,268,084	44,490,101	52,603,314	64,326,879	65,530,068	65,530,068
Other	85,061,220	93,561,691	112,703,575	126,586,348	128,122,881	128,122,881
Total Railway Operating Revenues	$1,623,253,792	$1,750,182,415	$1,929,139,358	$2,390,116,285	$2,455,021,722	$2,463,370,522
RAILWAY OPERATING EXPENSES:						
Maintenance of Way and Structures	182,066,109	189,737,258	199,425,598	306,476,883	337,524,672	
Maintenance of Equipment	290,255,280	308,768,606	354,470,274	575,935,994	636,801,635	
Traffic	24,930,075	25,590,537	26,920,930	22,053,582	21,369,742	
Transportation	582,233,724	603,853,492	790,316,691	1,049,093,831	1,079,371,981	
General	37,737,162	39,391,304	44,860,398	52,567,411	58,559,844	
Other	11,748,060	12,484,063	15,668,161	18,646,741	23,687,669	
Total Railway Operating Expenses	$1,128,970,410	$1,179,805,260	$1,431,662,052	$2,024,774,442	$2,157,315,543	$2,255,852,366
Ratio of Expenses to Earnings - Per Cent	69.55%	67.41%	74.21%	84.71%	87.87%	91.58%
Net Revenue from Railway Operations	$ 494,283,382	$ 570,377,155	$ 497,477,306	$ 365,341,843	$ 297,706,179	$ 207,518,156
Railway Tax Accruals	64,746,962	67,713,764	86,481,200	78,467,986	84,205,132	114,970,703
Uncollectible Railway Revenues	244,464	270,551	231,916	189,438	255,463	255,463
Railway Operating Income	$ 429,291,956	$ 502,392,840	$ 410,764,190	$ 286,684,419	$ 213,245,584	$ 92,291,990
Equipment Rents - Net	Dr 24,286,715	Dr 28,267,085	Dr 32,701,684	Dr 24,644,647	Dr 19,095,485	Dr 37,970,904
Joint Facility Rents - Net	Dr 7,990,134	Dr 9,691,651	Dr 9,830,957	Dr 10,824,626	Dr 11,911,393	Dr 11,911,393
Total Rents	Dr 32,276,849	Dr 37,958,736	Dr 42,532,641	Dr 35,469,273	Dr 31,006,878	Dr 49,882,297
Net Income	$ 397,015,107	$ 464,434,104	$ 368,231,549	$ 251,215,145	$ 182,238,706	$ 42,409,693
STATISTICS						1919 compared with 1916
Revenue tons one mile	184,860,431,818	202,421,305,944	212,660,648,483	216,032,596,432	190,744,545,350	D 5.77%
Freight Train miles	273,355,170	289,622,180	283,764,484	272,975,655	235,414,000	D 18.72%
Passengers one mile	16,740,565,384	17,405,168,399	19,352,064,280	20,720,306,735	22,673,328,461	I 30.27%
Passenger Train Miles	250,548,567	256,816,942	252,568,257	226,478,897	224,062,000	D 12.75%

April 17, 1920.

EASTERN RAILROADS - 38 SYSTEMS

Memorandum showing effect of Increased Rates and Increased Basis of Expense as of March 1920, applied to the business of 1916.

Item	1916 Actual	Adjustment Account of Increases	1916 Adjusted to present basis
RAILWAY OPERATING REVENUES:			
Freight Revenue, year 1916	$1,189,565,219		
Estimated increase in coal and ore rates and 15% Case		$ 158,462,984	
Administration 25% increase 1918		337,007,051	
Freight revenue 1916 adjusted to 1920 rates			$1,685,035,254
Passenger Revenue, year 1916	321,731,046		
Estimated increase based on average rate per passenger mile in 1919 - 2.419 cents as compared with average rate in 1916 of 1.905 cents, an increase of 26.98%		86,803,036	
Passenger revenue 1916 adjusted to 1920 rates			408,534,082
Mail Revenue	22,825,725		35,379,874
Increase granted by I.C.C. estimated at 55%		12,554,149	
Express Revenue	43,116,486		47,428,135
Advance in rates 10%		4,311,649	
Miscellaneous Revenue	96,480,110		106,128,121
Advance estimated @ 10%		9,648,011	
Total Railway Operating Revenues	$1,673,718,586	$608,786,880	$2,282,505,466
RAILWAY OPERATING EXPENSES:			
Payroll Year 1916 .... $712,644,182 Less - Estimate of 5% charged to Capital Account 35,632,209	$ 677,011,973		$1,369,798,325
Increase in rates of pay 102.33%		692,786,352	
Fuel: In 1916 there was purchased 72,108,369 tons of fuel at an average price of $1.57 per ton	113,142,348		288,264,074
The estimated increase in 1920 now in effect based on a price of $4.00 per ton is 154.78%		175,121,726	
Material: Amount charged to Operating Expenses in 1916 was	210,950,068		367,053,118
The increase in prices 1920 over 1916 is 74%		156,103,050	
Miscellaneous	125,576,367		251,152,734
Estimated increase based on the average developed by increase shown for payroll, fuel, and material 100%		125,576,367	
Total Railway Operating Expenses	$1,126,680,756	$1,149,587,495	$2,276,268,251
Net Revenue from Railway Operation	$ 547,037,830		$ 6,237,215
Net Increase in Expense Basis		540,800,615	
Railway Tax Accruals	$ 65,651,841	$ 49,318,862	$ 114,970,703
Uncollectible Railway Revenues	244,511	-	244,511
Railway Operating Income	$ 481,141,478	$ D 590,119,477	D 108,977,999
Hire of Equipment - Net Debit	25,366,594		37,970,904
Adjustment - Per Diem Rate of 90¢		12,604,310	
Joint Facility Rents - Net Debit	8,233,314	3,678,079	11,911,393
Net Railway Operating Income	$ 447,541,570	$ 606,401,866	$D 158,860,296
Rate of Return - Per Cent	6.46%	-	Deficit

D - Deficit.

April 17, 1920.

EASTERN DISTRICT

SUMMARY OF RAILWAYS CLASS I, II, AND III, AND SWITCHING AND TERMINAL COMPANIES

.YEAR ENDED OCTOBER 31, 1919.

Item	Constructive year ended Oct.31,1919	Effect of further adjustment developed subsequent to October 31,1919	Constructive Year final
Railway Operating Revenues	$2,570,967,815		
Estimated Mail Pay increase		Cr $14,348,800	
Total			$2,585,316,615
Railway Operating Expenses	2,307,629,658		
Exhibit "A" - $2,300,467,209			
Included in Corporate Expenses- Exhibit "B" - 7,162,449			
Increased rates of pay		Dr 34,094,687	
Trainmen $22,304,687			
Maintenance of Way Employees and Clerks 11,790,000			
Increased cost of fuel		Dr 54,811,580	
Mine Price $44,811,580			
Increase in freight charges 10,000,000			
Total Adjustments		Dr 88,906,267	
Total Railway Operating Expenses adjusted			2,396,535,925
Net Revenue from Railway Operations	263,338,157	Dr 74,557,467	$188,780,690
Ratio of Expenses to Earnings - Per Cent	89.76%		92.70%
Railway Tax Accruals	109,433,280		
Exhibit "A" - $91,739,480			
Federal Income Taxes - Exhibit "B" - 17,693,800			
Estimated tax on increased income		Dr 16,510,681	
6% on Property Investment $562,121,921			
Standard Return 397,015,107			
Increase at 10% on $165,106,814			
Total			$125,943,961
Uncollectible Railway Revenues	251,160		251,160
Equipment Rents - Net	Dr 31,519,753		
Increased allowance for privately owned refrigerator cars		Dr 3,388,636	
Total			Dr 34,908,389
Joint Facility Rents - Net	Dr 7,861,290		Dr 7,861,290
Rent of Leased Roads	Dr 6,226,466		Dr 6,226,466
Miscellaneous Charges - Exhibit "B"	Dr 106,678		Dr 106,678
Miscellaneous Rents	Cr 3,345,125		Cr 3,345,125
Exhibit "B" - Cr $7,619,149			
Exhibit "B" - Dr 4,274,024			
Rent from Lease of Road .... Exhibit "B"	Cr 1,133,838		Cr 1,133,838
Miscellaneous Credits .... Exhibit "B"	Cr 46,510		Cr 46,510
Adjusted net railway operating income	$112,465,003	Dr 94,456,784	$18,008,219

April 17, 1920.

Note - Includes the Illinois Central Lines north of Cairo.

GENERAL RECAPITULATION

EASTERN DISTRICT

Based on data submitted in Questionnaire for the Year ended October 31, 1919, and subsequest adjustments

Item	Class I Roads (51 represented)	Class II Roads (39 represented)	Class III Roads (30 represented)	S. & T.Co's. * (24 represented)	Total (144 represented)
Property Investment	$9,160,961,015	$96,299,577	$10,133,140	$101,304,966	$9,368,698,698
6% on Property Investment	549,657,661	5,777,974	607,988	6,078,298	562,121,921
Adjusted Net Operating Income	111,722,728	Def 230,952	Def 129,288	1,102,515	112,465,003
Difference between adjusted Net Operating Income - Year to October 31,1919 - and 6% on Investment - Deficit	437,934,933	6,008,926	737,276	4,975,783	449,656,918
Other adjustments - subsequent to October 31, 1919:					
Mail Pay - Credit	Cr 14,348,800	-	-	-	Cr 14,348,800
National Agreement with Trainmen	Dr 22,304,687	-	-	-	Dr 22,304,687
National Agreement with Maintenance of Way Employees and Clerks	Dr 11,790,000	-	-	-	Dr 11,790,000
Loss on privately operated refrigerator cars (6% basis)	Dr 3,388,636	-	-	-	Dr 3,388,636
Estimated increased cost of fuel coal	Dr 54,811,580	-	-	-	Dr 54,811,580
Estimated increase in taxes on additional income	Dr 16,510,681	-	-	-	Dr 16,510,681
Net of Other Adjustments	Dr 94,456,784	-	-	-	Dr 94,456,784
Total additional revenue required to meet deficit under 6%	532,391,717	6,008,926	737,276	4,975,783	544,113,702
Adjusted Freight Revenue	1,761,715,222	11,381,036	1,635,625	* 13,301,851	* 1,788,033,734
Percentage on Freight Revenue needed to meet deficit under 6 per cent	30.22%	52.80%	45.08%	37.41%	30.43%
Adjusted Total - All Revenues	2,541,885,050	13,692,974	2,087,940	13,301,851	2,570,967,815
Percentage on Total All Revenues needed to meet deficit under 6 per cent	20.94%	43.88%	35.31%	37.41%	21.16%

* Freight revenue shown for switching and terminal companies includes switching revenue.

Includes Illinois Central Lines North of Cairo, Ill.

April 17, 1920.